

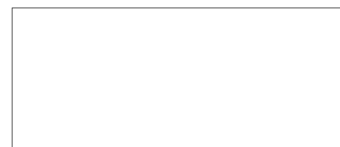


**Director of
Central
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National Intelligence Daily (Cable)

13 January 1982

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CO NIDC 82-010C

13 January 1982

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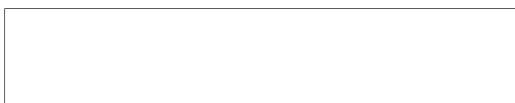


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ARGENTINA-BRAZIL: Nuclear Capabilities

The head of Argentina's nuclear program in an interview published in Brazil has asserted that both Argentina and Brazil will be able to build nuclear weapons within three years. 

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Comment: //Argentina--but not Brazil--evidently could develop a nuclear weapon within three years. Both could probably complete weapon design and high-explosive testing, however, within three years. The availability of fissile material would determine the pace of production.// 

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//Argentina is likely to have its unsafeguarded re-processing plant in operation this year. 


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//Brazil does not have a suitable reactor or a reprocessing plant of any significant size. 

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//The Argentine official previously has claimed that Buenos Aires already can develop nuclear weapons but does not intend to do so, and his latest statement appears to have been made for propaganda purposes. The reference to Brazil may be calculated to allay concern there regarding Argentina's fast paced nuclear development and its ultimate intentions.// 

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SUDAN-KUWAIT: Oil Deal

Sudan has obtained a six-month credit from Kuwait for refined petroleum products. The unusual deal, arranged through the private sector, pledges revenue from future cotton exports as a guarantee and eliminates the requirement that the private sector deposit 50 percent of cotton export receipts in Sudan's Central Bank. Sudan's only refinery has been closed for two weeks, and no supplies of crude have been arranged.

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Comment: Khartoum's decision to mortgage the country's most important export crop is a desperate one, and Sudan will continue to have problems arranging oil imports. Although the deal with Kuwait will ease immediate fuel shortages, supplies will remain uncertain until the refinery reopens.

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USSR-ARGENTINA: Grain Purchase

//The USSR has bought some 2.5 million tons of corn and sorghum and 1 million tons of wheat from Argentina since early December for delivery by 30 September 1982. It has paid a \$5- to \$10-per-ton premium over US prices for most of the grain. The Soviets started buying two months earlier than last year under the Soviet-Argentine Long Term Grain Agreement.//

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Comment: Moscow may have decided to buy the grain early to avoid paying larger premiums that would be demanded if there is a US grain embargo. The USSR probably will import about 45 million tons of grain; its purchases and orders for the year ending 30 September now stand at 31.5 million tons.

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SPECIAL ANALYSIS

GREECE: Papandreou's Foreign Policy

by Kurt Hochstein, CIA

//Prime Minister Papandreou is seeking more advantageous terms for Greece in NATO and the EC and a strengthening of economic and political ties with the Arab states. These objectives reflect his concern over Turkey's growing strategic importance to the West and its claims in the Aegean and his recognition that Greece's poor economic outlook may force him to seek Arab financial assistance. Papandreou's pursuit of these goals will lead to further strains in relations with Turkey and the US, but most Greeks will support his efforts so long as he does not sever the defense relationship with NATO and the US.//

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Papandreou's policies thus far have been ambiguous, but there is little doubt that his overriding objective is security against Turkey. His contentious diplomacy at high-level NATO meetings last month was primarily a tactic aimed at reviving Alliance interest in Aegean issues, particularly the Greek concern to maintain a military balance with Turkey. Although Papandreou will continue trying to exploit NATO, he probably thinks the coming defense negotiations with the US offer a better opportunity to obtain more military aid and, if possible a treaty commitment securing Greece's Aegean borders with Turkey.

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Papandreou might retract his demand for a specific security guarantee if the US provides weapons on financial terms no less favorable than those offered Turkey and in dollar amounts that approximate a 7 to 10 ratio of US military aid to Greece and Turkey. The highest priority is an advanced fighter aircraft.

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//The Greek leader will be more willing than his predecessors to apply pressure by linking the presence of nuclear weapons and US facilities in Greece to satisfaction on aid and weapons transfers. He might buttress

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his position by abrogating the treaty of 1953--the basis for the US presence--and by reiterating his threat to set a timetable for the withdrawal of US forces, probably over 15 years or so.// [redacted]

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//Athens, anticipating a tough US bargaining stance, is interested in further diversifying its source of weapons and has increased arms negotiations with France.

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//Papandreou does not seem inclined to cut Greece's high rate of defense spending. Although he already has shown signs of curtailng ambitious domestic spending plans, he will still have difficulty controlling growing trade and public sector deficits and reducing a persistent 25 percent annual rate of inflation. Prospects are dim, moreover, that Papandreou will receive major concessions from the EC.// [redacted]

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//The need to broaden sources of economic assistance has led Papandreou mainly to the Arabs. The government has signed trade protocols with Arab states, particularly Iraq, that could bring in investment and contracts for industry. The Greek Socialists hope that the visit of PLO leader Arafat and Papandreou's pro-Arab stance in EC and NATO forums will encourage the Arabs to follow through on the contracts and provide financial assistance.// [redacted]

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//Papandreou does not seem prepared to pay the political costs required to attract large amounts of Arab capital, including a break in relations with Israel. Such a step would put him at odds with his EC partners and probably lead to a loss of Greek influence in the Community.// [redacted]

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//Papandreou also is taking some risks in NATO. His implicit threat to hold up parliamentary ratification of Spain's application for membership until the Alliance provides a security guarantee against Turkey has irritated many members and ultimately could lead them to hold back on infrastructure projects Papandreou wants to improve Greek military capabilities.// [redacted]

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//In the Aegean area, Papandreou's refusal to negotiate disputes with Turkey is edging relations back toward the stormy period of the mid-1970s. Even though miscalculations by either side could produce minor incidents, Papandreou would not find a showdown with Turkey in the Aegean in Greece's interests. The military regime in Ankara, however, could use military exercises or a renewal of maritime seismic explorations to press its demands for a more equitable sharing of Aegean sea, air, and mineral rights.//

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//Greece will concentrate on anti-Turkish propaganda in international forums, focusing on the Aegean and Cyprus issues. Papandreou's dissatisfaction with UN-proposed compromises will make it easier for President Kyprianou to take a hard line on Greek Cypriot concessions.//

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//Papandreou probably hopes that his strength in Parliament, as well as his cooperation in allowing US facilities to continue functioning in Greece, will give him ample maneuvering room in what could be lengthy negotiations with the US. If a stalemate develops in the base talks, Papandreou might restrict the activities of some US facilities.//

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//The Prime Minister almost certainly would not close the four principal US military bases, with the possible exception of the communication facility at Nea Makri. Closure of the other bases would abrogate the US commitment to Greek security and thus probably would provoke a strong domestic reaction against Papandreou, possibly including military intervention.//

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//Papandreou has thus far not made any direct attempts to improve relations with Moscow. His tentative reaction to the crisis in Poland is more than a sop to the strong left wing of his party; it probably also is intended to build credit with the Soviets for increased economic cooperation or for diplomatic support in the disputes with Turkey. Moscow has generally given priority to developing relations with Turkey, which is the largest recipient of Soviet economic aid outside the Soviet bloc.//

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//Papandreou's foreign policy actions to date have enhanced his domestic political standing. The opposition New Democracy party has offered only mild criticism of the government's foreign policy. The pro-Moscow Communists, the third largest party in Parliament, have been the most vocal critics, chastising Papandreou for not breaking with the EC and NATO.//

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//Most Greeks probably recognize that Papandreou's rhetorical flourishes do not represent fundamental shifts in foreign policy. Meanwhile, President Karamanlis and the military leadership continue to take a "wait and see" attitude but Karamanlis's New Year's message to the nation contained a subtle warning to the Socialists that they should not move too abruptly, particularly on the foreign policy front.//

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